



# PROCUREMENT PROCESS IMPLEMENTATION

by Jon Maxim

There are few things in the life of an organization that affect it more profoundly than the adoption of a new process. The Procurement and/or Strategic Sourcing Process (referred to here as “Procurement”) also touches virtually every function in an organization ranging from simple office supplies to multi-million outsourcing projects, capital and systems acquisitions, etc.

Traditionally most organizations have had a Purchasing function that processes the requests from functions and may or may not ensure some form of approval process is followed. Current Industry Best Practices recognize that effective procurement encompasses far more. The process starts with the first generation of a requirement then negotiation with a vendor, awarding a contract, processing through the purchasing system and effective management of the supplier, then back to the start in a continuous cycle.

Since its inception, Maxelerate has had a mission of elevating Procurement functions within their organization. We have long held that the importance of the service offered by the procurement should have it report to the most senior executive. The fact that the first few CPOs have been appointed makes us pleased that the message seems to be getting through.

These successes were not achieved by following traditional purchasing principles. They came about as a consequence of careful design and implementation of the current best practices. In our experience, there are three critical success factors which are often overlooked when organizations implement new Procurement processes:

1. The design stage is critical. There are several well marketed Procurement processes with catchy sounding names or acronyms. Each one of them can and does work very well for some organizations and fails badly for others. Each organization is different. The process must be tailored to what will work for that organization.
2. Buy-in is essential. Having senior management support is very important. Even more important is the support and participation of everyone in the organization who is involved in procuring – which may well be almost everyone in the organization! Thus a well executed communication plan is essential.
3. The implementation must be feasible. This may sound obvious. However, we have experience with well over 100 very large organizations. We constantly observe that the ones that succeed in implementing a new process right from the beginning are few. The common success factor is that they have implemented a plan that has actions - that will actually - work built into it. These invariably include step-by-step implementation in manageable increments. To learn more about this please talk to your Maxelerate contact or call the number at the bottom of this white paper

If you want to embark on designing a new Procurement process, here is a checklist, at a very high level, of items to consider and decisions you will need to make.

## **A. Analysis**

- Survey stakeholders (1 preferably 2 interviewers)
  - Procurement personnel
  - Their clients
  - Their clients' clients
  - Finance
  - Legal
- Decide model
  - Strategic Sourcing vs. Leveraged Negotiation vs. Balanced
  - Vendor and marketplace research
  - Contract drafting compared to legal review
  - Service vs. governance
- Document the analysis and communicate

## **B. Design**

- Tailor process to characteristics
  - Large vs. small deal
  - Complex vs. simple
  - Strategic impact
  - Cycle time
  - Organizational culture
- Decide discrete steps, order and timing
- Integration with procurement and e-procurement systems
  - Requisition process
  - Approval and review process
  - Procurement process
- Integration with Asset Management Systems
- Contract Management
  - Procedures
  - Systems
- Clarifying roles in interfacing/negotiating with vendors
- Facilitation and arbitration plan
- Sourcing hot line
- Vendor Performance Management
  - Procedures
  - Systems
- Communication process

### **C. Implementation**

- Obtaining Senior Management support
- Procedure documentation
- Requirements process
- RFI, RFP process
- Evaluation process
- Form contracts. e.g.:
  - Hardware Acquisition Agreement
  - Hardware Maintenance Agreement
  - Hardware Bailment Agreement
  - Software License Agreement
  - Software Maintenance Agreement
  - Software Development Agreement
  - Consulting Services Agreement
  - Confidentiality and Network Access Agreement
  - Outsourcing Services Agreement
  - Logistics Services Agreement
  - Real Estate Agreements
  - Capital Procurement Agreement
  - Engineering/Construction Services Agreements
  - Creative Services Agreements
  - Food Service Agreements
  - etc.

### **D. Communication**

- Getting buy-in
  - Feasibility of plan
  - Who must buy in
- Training
  - Procurement
  - Client
  - Clients' client
  - Legal
  - Finance
  - Vendors
- Marketing of Procurement services



This list is a moving target. The Procurement discipline is a relatively young one (compared to, say, Sales). At Maxelerate we strive to stay current with what are the best practices in the industry. Indeed we constantly develop and refine practices for leading edge clients. If you want to know more please contact us at any of the numbers or addresses below.



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